UNITED
NATIONS

E

Economic and Social Council

Distr.
GENERAL

E/CN.17/1996/35
22 April 1996

ORIGINAL: ENGLISH

COMMISSION ON SUSTAINABLE DEVELOPMENT
Fourth session
18 April-3 May 1996
Agenda item 3

CROSS-SECTORAL ISSUES, WITH PARTICULAR REFERENCE TO THE CRITICAL ELEMENTS OF SUSTAINABILITY

Letter dated 18 April 1996 from the Permanent Representative of the Netherlands to the United Nations addressed to the Secretary-General

The Permanent Mission of the Kingdom of the Netherlands has the honour to submit to you the Chairman's summary of an international conference on the theme: "Sustainable industrial development: sharing responsibilities in a competitive world" (Amsterdam, 22 and 23 February 1996). The conference was jointly organized by the Government of the Netherlands, the Netherlands Confederation of Industry and Employers, the Commission of the European Communities, the Organisation for Economic Cooperation and Development and the United Nations.

The objective of the conference was to formulate recommendations and conclusions on the subject of sustainable industrial development. These were derived from a number of group discussions involving key decision makers from both Governments and business, as well as from various international organizations.

I would be grateful if you could make arrangements to circulate the attached summary as an official document of the Commission on Sustainable Development at its fourth session. The full Chairman's report and the conference paper will be made available at the high-level segment of the session on 1 May 1996.

(Signed) N. H. BIEGMAN
Ambassador
Permanent Representative

96-10104 (E) 230496 250496

/...

Annex

CHAIRMAN'S SUMMARY OF AN INTERNATIONAL CONFERENCE ON THE THEME "SUSTAINABLE INDUSTRIAL DEVELOPMENT: SHARING RESPONSIBILITIES IN A COMPETITIVE WORLD"

Inspired by a number of excellent keynote addresses and the conference paper of Arthur D. Little, participants engaged in very thorough discussions on a broad range of topics.

The conference embraced the concept of eco-efficiency as a central objective of sustainable industrial development. However, it was stressed that improving eco-efficiency involves more than just developing and applying new technology. It is equally important to find new ways of doing business by linking together different industries; to set up joint ventures between public utilities and private industries; and to establish financial structures that will ensure a fair distribution of costs and benefits in combining efforts to improve eco-efficiency. Moreover, emphasizing the importance of institutional approaches for economic efficiency is very much in phase with modern concepts in economic theory.

There was a general agreement that, in view of the increasing complexity of environmental and economic issues, sustainable industrial development requires more cooperative approaches on the part of Governments and business, with due regard for their respective responsibilities. Much emphasis has been placed on the use of negotiated agreements as a framework for partnerships between the public and private sectors. The Netherlands experience with that approach was seen by many as a kind of model that has proved to be very successful. However, adopting such an approach is a gradual process that requires certain experience and conditions at each stage before the next steps can be taken. In particular:

(a) One should recognize that partnership approaches are likely to be more effective when environmental policies have matured beyond a level of basic regulations;

(b) Societal support for and commitment to negotiated cooperative approaches is more likely to be achieved in a proactive climate based on a high awareness and sense of urgency about fundamental environmental problems;

(c) It is equally important that cooperative approaches seek counterparts in the business community who are convinced that long-term company goals coincide with improvement in environmental performance, and that such conviction be demonstrated by company mission statements and management approaches;

(d) Negotiated agreements must be backed up by adequate arrangements to counteract potential free-rider problems.

In addition, the conference made it clear that for negotiated agreements to be successful they must:

(a) Be based on mutual trust and fairness;

(b) Aim for ambitious but feasible targets;

(c) Offer mutual benefits beyond and above those offered by direct regulatory approaches;

(d) Provide for appropriate performance indicators to ensure public transparency and accountability.

Agreement on how to measure performance and progress is particularly important in order to ensure credibility in the eyes of parliament and third parties not directly involved in negotiating agreements.

One should be aware that sustainable industrial development is considered with a certain mistrust by outsiders because of perceived trade-offs with competing social needs.

In addition, implementing sustainable industrial development calls for a specific approach in each country, depending on the stage of development of its environmental policies and its specific institutional conditions, as well as business-related investment policies.

The success of the sustainable industrial development concept does not automatically solve the debate about market-based instruments. On the contrary:

(a) There are conflicting views on the potential efficacy of market-based incentives as cost internalizing mechanisms, as well as on the political and economic problems involved;

(b) The lack of broad actual experience with such concepts and instruments as eco-taxes and tradeable permits makes them difficult to understand for policy makers, business people and the public at large (consumers). Therefore, there is a need for a clearer view and a gradual intensification of the use of financial instruments at the national and international levels;

(c) Incentives (subsidies) can be useful, in the framework of sustainable industrial development, to provoke learning curves when applying new technologies. However, such subsidies should be temporary. Prestige (e.g., awards) can also play a positive role in the sustainable industrial development concept.

Special attention should be paid to the improvement of environmental management capabilities by small and medium enterprises (SMEs). In particular, the conference stressed the need to:

(a) Facilitate and stimulate the transfer of technology and managerial experience to SMEs;

(b) Stimulate sharing of environmental expertise and capital intensive technology among SMEs;

(c) Utilize supplier contracts as a vehicle for improving SME environmental performance.

Eco-efficiency requires more cooperative approaches at the international level (e.g., the European Union). The conference noted that the implementation of sustainable industrial development policies will have some impact on free trade and free competition. It was felt that in such cases, eco-efficiency measures should not be obstructed but ways and means must be found to make trade and competition rules more compatible with cooperative approaches.

Multinational companies have an important role to play in the international transfer and application of advanced environmental techniques by maintaining the principle of best practice in all their facilities.

Financial institutions, such as banks and insurance companies, can play a prominent role in enhancing sustainable industrial development if they make sound environmental management an integral part of their assessment criteria for good business, in accordance with the Porter hypothesis that economically sustainable businesses are eco-efficient businesses.

In conclusion, the Chairman wishes to thank all participants for their very constructive contributions. They demonstrated that the issue of sustainable industrial development will be crucial for developing and doing business in the years to come. I am sure that they will join me in my appeal to the international community to be ambitious and innovative in its efforts to maintain the carrying capacity of the globe on which we must all live together.